



BISNIS BULLETIN



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EASING THE VISA PROCESS FOR YOUR RUSSIAN BUSINESS PARTNER

by Matthew Edwards & David E. Knuti

Helping your Russian business partners or employees navigate the process of obtaining a visa to visit the United States will help ensure a smoother relationship. Companies can ease the process for their Russian partners by advising them of considerations that can expedite, or delay, a visa application. It is important for companies to realize that instances of visa fraud have prompted more careful screening of visa applicants and that applicants have the burden of proving the legitimate purpose of their visits. The following tips address problems commonly encountered by applicants as gleaned from the experiences of numerous U.S. firms that have hosted Russian customers, employees, or partners in the United States.

Apply early: Applicants are advised to apply for visas at least 3 weeks in advance because of the possibility that the applicant will need to return for an interview from the consular section of the U.S. Embassy or a U.S. consulate. If you believe an interview will not be required, apply at least 10 business days before the desired departure date. Although early application does not guarantee a visa by a given date, it offers a better chance of receiving the visa in time than a late application.

Apply for the visa you really need: If multiple trips to the United States are anticipated, suggest that your Russian business contacts apply for the longest term business visas possible (3-year, multientry; or 1-year, multientry). This choice is more expensive than a single-entry visa, but it eliminates the need to reapply for each visit. Besides, the Consular Section will issue only one single-entry visa per applicant, per year. Russian employees or contractors coming to the United States to perform long-term work (as

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St. Petersburg's Bronze Horseman

CHOOSING AN INVESTMENT DESTINATION IN NW RUSSIA

by Alexei Kim

One key issue for U.S. companies considering any region in Russia is the local legal framework for doing business. In regions such as Northwest Russia, the considerable competition to attract foreign investment has led to the creation of tax and other incentives for companies entering the market. The fact that most regions of NW Russia have adopted investment laws gives U.S. companies a chance to choose an area that provides the maximum advantages for a given investment project.

Both the city of St. Petersburg and the surrounding Leningrad Oblast have adopted investment legislation

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World Food Technology 2000

Catering & Restaurant Showcase 2000

Moscow, Russia
March 14-17, 2000

The U.S. Commercial Service in Moscow invites U.S. companies to participate in a Catalog Show in conjunction with World Food Technology 2000. The event will feature equipment for the food processing, packaging, and food service industries. The Foreign Commercial Service Moscow will manage an American booth at the event to feature U.S. machinery, supplies, and technology.

Participation in the U.S. Catalog Show is free of charge. Catalogs must be received by Commerce in Washington, DC, no later than February 14, 2000.

Contact: Eugene Shaw, U.S. Dept. of Commerce, Washington, DC. Tel: 202-482-3494, Fax 202-482-0304.

BISNIS

The Business Information Service for the Newly Independent States

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Conference Offers Perspectives on Ukraine

by Juliana Kinal

Is now the right time to invest in Ukraine? What are the potential pitfalls, and are they the same as several years ago? Have attitudes toward business between Ukraine and the United States changed since the first heady days of the transition to a free market? A gathering of over 70 private businesspersons, with the participation of U.S. Government officials, discussed these and other questions on January 10, 2000 at the "Business-to-Business Conference on Ukraine: A Matter of Perspective." *Eastern Economist* magazine organized the conference, held in Washington, DC, which reviewed the experiences of foreign investors and factors influencing the business climate in Ukraine, and provided specific guidance for being successful in business in Ukraine.

The roundtable discussions began with a panel on the general legal, macroeconomic, trade, and investment climate in Ukraine. The moderator, former U.S. Commercial Attaché

to Ukraine Andy Bihun, set the tone of the panel by asserting that now is the "right time" and the "ripe time" to go into Ukraine. Nestor Scherbey of **CTRMS** (Grand Rapids, MI) continued this theme by drawing parallels between Ukraine and other developing countries, such as Mexico and Brazil, giving examples of legislative and tax incentives that helped attract investment into those countries. He outlined steps Ukraine needs to take to get to that stage, including enforcement actions against government corruption, acceleration of privatization, and governmental trade facilitation efforts. John Hansen, an economic advisor at the **World Bank**, outlined a macroeconomic profile of Ukraine since 1991, concluding that the trend is in an upward swing. Markian Silecky of **The Silecky Firm** (Kyiv) commented on the main legal issues facing investors: corruption, repatriation of profits, and cultural legal misunderstandings. However, according to Mr.

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Silecky, legislative changes are taking place that will work Western legal concepts into Ukrainian law and improve the investment climate. Richard Shriver of the **Lviv Consulting Group** (Lviv) spoke about his firm's survey of foreign investors, which concluded that the main problem for foreign investors is the reliability of the Ukrainian partner. He capped off this informative session by providing concrete, experience-based advice: avoid absolutes in reference to Ukraine, bring money not preachy advice, and take a long-term perspective.

Recommendations on how to approach the Ukrainian market from conference participants included:

- Learn from other businesses' attempts.
- Adopt a long-term perspective, be patient.
- Perform due diligence and follow up on that research by keeping an eye on operations.
- Set out from the beginning how you'll exit if you need to and how you'll settle disputes if you need to.
- Know your partner.
- Know the legal and legislative context of your business in Ukraine.
- Learn the culture, history, societal norms, bureaucracy, and market conditions.

After the first session, the seminar shifted to discuss legal, cultural, and financial aspects of doing business in Ukraine. The legal session dealt with technical issues of setting up business, dispute settlement, tax issues, and exit strategies. Mr. Silecky moderated a panel consisting of Sarah Carey of **Squires, Sanders & Dempsey** (Wash., DC), Adam Mycyk of **Alzheimer & Grey** (Chicago), and Dr. Irina Paliashvili of the **Russian-Ukrainian Legal Group** (Wash., DC). Ms. Carey discussed corporate structure choice and consideration of the government in a business' operations in Ukraine, while Mr. Mycyk ran through the legal aspects of setting up a business. Dr. Paliashvili discussed different means and venues for dispute resolution and the pros and cons of each: local court settlement, foreign court settlement, international arbitration, and mediation. Mr. Silecky wrapped up the session by stressing building in an exit strategy from the beginning.

At the conclusion of the conference, participants offered ideas on how individual investors, the U.S. Government, and the Government of Ukraine can further the development of a market economy and a more solid investment climate. All welcomed the appointments of what appears to be a reformist government, with Prime Minister Viktor Yushchenko at the head, and expressed the hope that Ukraine is at long last creating a hospitable and steady business climate.

*For market reports, announcements of trade events, and other information on doing business in Ukraine, visit **BISNIS Online** at www.bisnis.doc.gov/bisnis/country/Ukraine.htm.*

*Juliana Kinal covers Ukraine for **BISNIS** in Washington, DC.*

SABIT Programs Fiscal Year 2000



The U.S. Department of Commerce's **Special American Business Internship Training (SABIT)** program, which provides funding to U.S. organizations to conduct stateside management training for business executives and scientists from the NIS will host experts in the following sectoral and regional programs this year.

Novosibirsk - Technology Commercialization/ Computer Industry

Program Dates: April 1-29, 2000

Caucasus/Central Asia Regional Development - Building and Home Construction

Program Dates: June 3-July 1, 2000

Caucasus/Central Asia Regional Development - Technology Commercialization

Program Dates: August 19-September 16, 2000

NIS Environmental Technologies - Air Pollution Management

Program Dates: June 10-July 22, 2000

NIS Standards - Information Technology

Program Dates: May 22-June 17, 2000

NIS Standards - Laboratory Accreditation

Program Dates: October 23-November 18, 2000

*For more information, contact **SABIT** at (202) 482-0073, or visit www.mac.doc.gov/sabit/sabit.html.*

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(VISA PROCESS, continued from p. 1)

opposed to participation in training, familiarization meetings, or business negotiations) may need work visas—requiring compliance with Immigration and Naturalization Service (INS) regulations, rather than business visas.

Provide a proper invitation: Invitation (sponsor) letters should be written on company stationery with a U.S. corporate address and should be signed by an official at that location. Proofread the invitation letter carefully. Typos and grammatical errors draw tighter scrutiny. The time you save by delegating the drafting of an invitation letter to a staffer who lacks command of business English won't compensate for the delays such mistakes can cause. Don't simply copy a text your Russian contact sends you, thinking that he knows what the invitation should say. Remember, an American officer will review this letter, and a grammatically incorrect invitation signed by a U.S. company official can bring intense scrutiny. Do not substitute rubber stamps for an original signature or get the invitation notarized. Simply write a plain, clear, specific business letter summarizing the dates, purpose, and itinerary of the visit.

Be prepared and be forthcoming: If an applicant requires an interview, and new or previously refused applicants generally will, it will be the most important part of the application process. Applicants must demonstrate their legitimate business purpose and intent to comply with their visas (i.e., to return on time). Russians who are young, fluent in English and technically skilled may make better business partners, but should realize that they could be considered higher risks to overstay their visas. The more clearly an applicant states the purpose of his/her visit on the application and in the interview, the more easily he/she will receive a visa. People traveling in groups should give honest, consistent answers. For example, a business visa applicant can run into trouble when accompanying friends or relatives (who will be traveling as tourists) present themselves as employees of the applicant's company, when in fact they are not. Before the interview, make sure your Russian invitee fully understands the itinerary and purpose of his/her trip, and can explain it. While it is generally not helpful to bring extensive documentation, the inviting company should consider preparing a concise statement of the nature of its business with the applicant, along with other facts that can help establish the legitimacy of the intended visit. Applicants who respond to interview questions by giving answers inconsistent with their invitations or the written information on their applications risk refusal. Fudging information of any sort is never a good idea.

Companies with a local presence in Russia may find it advantageous to be members of the American Chamber of Commerce in Russia (Amcham). The Consular Section of the U.S. Embassy in Moscow has arranged that member firms, by presenting an Amcham letter attesting to their membership, may be able to bypass the interview requirement for

EXHIBITION

“UNSEEN TREASURES: IMPERIAL RUSSIA & THE NEW WORLD”

New Jersey State Museum
Trenton, New Jersey

The exhibition tells the story about the Russian-American Company and the development of U.S.-Russian trade. Open until April 16, 2000.

To order tickets by telephone, call 1-800-766-6048.
For more information, call 609-984-5687.

their Russian business contacts, as well as their local Russian national employees. Fees to join the Amcham (email: amchamru@amcham.ru) vary depending on company size. Although membership does not guarantee an interview-free visa application, it can be helpful in establishing the bona fides of applicants.

U.S. companies should encourage their Russian business contacts to submit complete, truthful applications with sufficient lead time as the best way to obtain a visa on time. In general, if the application process is handled in this manner, problems can be avoided. However, a Russian company's current or past applications can have a bearing on its employees' ability to obtain visas. Russian companies should keep in mind that it may be the individual that they are trying to send to the United States who is rejected, rather than the company itself.

Visa applicants or their hosts can contact the Consular Section of the U.S. Embassy in Moscow at phone +7 (095) 956-4242 (Russian) or +7 (095) 956-4233 (English) for updated official information on application requirements and procedures. Information on visa requirements can also be found on the U.S. Embassy in Moscow website at <http://www.usia.gov/abtusia/posts/RS1/wwwhcm.html>.

Although the Embassy's Commercial Section is not authorized to process visas, it is able to offer informal advice to new applicants before they apply and to applicants who have encountered problems in the past. The Commercial Service in Moscow can be contacted at tel: +7 (095) 737-5030, fax +7 (095) 737-5033, or email: moscow.office.box@mail.doc.gov.

Matthew Edwards and David Knuti are Commercial Attachés for the U.S. Commercial Service at the American Embassy in Moscow.

(NW RUSSIA, continued from p. 1)

to stimulate additional investment. Although both sets of laws treat domestic and international investors equally, it is clear that the laws were adopted with the view to attract foreign investors. As the majority of U.S. firms in NW Russia chose St. Petersburg or Leningrad Oblast as an investment site, a brief comparative analysis of St. Petersburg's and Leningrad Oblast's investment climates is useful.

St. Petersburg Investment Laws

The St. Petersburg administration's attitude toward attracting foreign investors has changed over the course of the last several years. The initial attitude was that foreign investors would flood in and the city would be in a position to choose the most desirable investor. As that did not happen, St. Petersburg has undertaken certain steps to attract foreign capital and is currently the main competitor location for Leningrad Oblast. Thus, on July 30, 1998, the city of St. Petersburg adopted the law "On State Support of Investment Activities in St. Petersburg." The law welcomes investors, provides them with equal rights, and guarantees fair competition for the object of investment. A second law, "On Investment in Real Estate in St. Petersburg," approved by the governor on the same day, is viewed by investment analysts as a big step toward improving St. Petersburg's investment climate. In essence, it details how to deal with the city of St. Petersburg and offers an attractive base for companies interested in investing in the city's real estate market.

The city of St. Petersburg provides the following means of support to investors:

1. City guarantees. The city's budget guarantees a foreign investor 10 percent of the total cost of the investment project, or up to 25 percent of the funds borrowed by the investor to complete the investment project.
2. Tax benefits to investors. According to the Russian Federation investment law, these tax breaks apply only to those taxes going to the city's budget.
3. Tax benefits to banks and/or other financial institutions supporting investments.
4. Leasing benefits (i.e., discounted rent). A discount of up to 25 percent is provided to investors during the design of the investment project site, and 40 percent discount applies to the lease of investment project's site while under construction.
5. Delays on payment for the rights to invest. The St. Petersburg Investment Law provides for the deduction of expenses for infrastructure development from the total value of the investment project.
6. Budgetary support. The city of St. Petersburg can budget certain funds to co-invest in the investment project. The city's draft budget for 2000 plans to allocate certain funds for budgetary support of investment projects.

Investing in Leningrad Oblast

Leningrad Oblast's investment law, approved shortly before St. Petersburg's, attracted a number of big U.S. compa-

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nies. After the law was approved, several U.S. companies originally interested in implementing projects in the St. Petersburg area turned to Leningrad Oblast. Leningrad Oblast is located just on the outskirts of the city and extends to the border with Finland (an EU member). A number of big manufacturers have already established production facilities in the Leningrad Oblast, bringing their suppliers along.

Leningrad Oblast offers the following support to foreign investors:

1. Tax breaks.
2. A guarantee of the stability of the investment climate. This guarantee says that should an increased tax burden (federal and/or local) occur Leningrad Oblast will compensate the investor for the difference. (Compensation, however, is only possible if the local budget has sufficient funds to cover the difference.)
3. Investment tax credit. The new law "On the Tax and Investment Credit in Leningrad Oblast," adopted by the Leningrad Duma on October 8, 1999, provides new investors with an investment tax credit. If the company is conducting certain investment activity (research of new technology, introducing new technology into an existing project, etc.), Leningrad Oblast will provide investment credit to investors not to exceed 100 percent of taxes paid to the local budget.
4. No payments for the right to invest. Leningrad Oblast does not charge investors for the right to invest. The oblast is working on implementing a number of amendments that will expand the law's applicability to some new projects, and will qualify modernization of state-owned enterprises as an investment activity.

*For a lengthier report on the St. Petersburg city and Leningrad Oblast investment laws, visit **BISNIS Online** at <http://www.bisnis.doc.gov/bisnis/country/9911stpete.htm>. For more information on doing business in Northwest Russia, visit www.bisnis.doc.gov/bisnis/country/nw.htm.*

*Alexei Kim is the **BISNIS** representative in St. Petersburg.*

TRICKS OF THE TRADE**Certifying Your Products in Kazakhstan** by Nataliya Antonenko

Although aimed at ensuring the quality and safety of imports, the complex and costly product certification process in Kazakhstan has often served as a barrier to trade. The new Kazakhstani "Law on Certification," which came into force on July 16, 1999, may help to ease this process. The intent of the new law is to bring regulations on certification in Kazakhstan into conformity with the requirements of international and interstate regulations on certification of goods and services and to specify the functions, rights, and obligations of Kazakhstani certification agencies.

The Certification System

The state certification system in Kazakhstan includes the following bodies:

1. The Committee on Standardization, Metrology and Certification (Gosstandart), attached to the Ministry of Energy, Industry and Trade, which is the central Kazakhstani standards and certification agency;
2. Accredited centers for certification of products, technologies, works, and services (44 throughout Kazakhstan), which are legal entities independent from manufacturers, suppliers, and consumers, and also incorporate testing laboratories; and
3. Testing laboratories (237 throughout Kazakhstan), which are independent legal entities or structural divisions of legal entities.

What Products Should be Certified?

The law provides for the mandatory and voluntary certification of products, works, and services in Kazakhstan. Voluntary certification is conducted on the initiative of manufacturers or traders to prove conformity of products within regulation requirements. Voluntary certification does not substitute for mandatory certification.

Products subject to mandatory certification include motor transport; industrial pipeline fittings; metalwork and woodwork machine-tools; arms and ammunition; industrial laundry equipment; food industry and catering equipment; electric insulating materials; cables; electromechanical, radiotechnical, and electronic products; means of communication; heating devices; household chemicals; toys; consumer goods that involve contact with skin, potable water, and food; packing materials; construction materials; medicines and medical devices; perfumes and cosmetics; agricultural and food products; fodder; fuel raw materials; mineral fertilizers and chemicals; and metallurgical industry products.

Certification Documents

A certificate of conformity is issued by an accredited center for products, technologies, works, and services. Currently, 10 different schemes are used in Kazakhstan to certify various products and equipment.

The documents required for completing certification include, but are not limited to, (1) a standard application form (available at certification centers), (2) a customs declaration, and (3) a supply contract or agreement. Additionally, depending on the nature of the goods/certification scheme, the following documents may be required: (1) a hygiene resolution and (2) a declaration of conformity. All required documents should be submitted to an accredited center that specializes in certification of certain products. Following submission of the documents, the testing of samples takes place. Only after passing this testing may a certificate be issued.

The cost of the certificate is specified in a special agreement between the applicant and the center. The cost depends on the type of certification scheme and may vary from one center to another depending on the applied calculation method. Different certification schemes provide for different terms of validity of the issued certificate. Products that contain components from other manufacturers are tested and certified as "final products."

The mark of conformity can be affixed to the certified products. It functions as a copy of the certificate. The type and the size of the mark will depend on the type of products. The mark should be affixed to each unit of the certified product, close to the trademark of the producer, on the unremovable part of the product, and on the operating manual or label.

U.S. companies are encouraged to contact Gosstandart for more information on certification regulations and procedures.

USEFUL CONTACTS

Committee on Standardization, Metrology and Certification (Gosstandart)

Tel: +7 (3172) 75-29-91; Fax: +7 (3172) 75-26-41

Email: standart@akmo.kz

Website: www.banknet.kz/gosstandart (in Russian)

Almaty Branch of Gosstandart

Tel: +7 (3272) 21-65-41, 21-48-45; Fax: +7 (3272) 21-65-59

KazSERTICO Almaty Branch (accreditation of certification centers and testing laboratories)

Tel: +7 (3272) 28-32-95, 28-65-44; Fax: +7 (3272) 21-75-18

Email: kzsert@kzsert.almaty.kz

Kazakhstani Customs Committee

Tel: +7 (3172) 75-04-47; Fax: +7 (3172) 75-30-16

U.S. Commercial Service Almaty

Tel: +7 (3272) 58-79-20, 58-79-24; Fax: +7 (3272) 58-79-22

Email: almaty.office.box@mail.doc.gov

Website: www.usis.kz/csalmaty

Contacts: Julie Snyder, Senior Commercial Officer

Nataliya Antonenko, BISNIS Representative

REGIONAL CORNER: Perm Oblast, Russia

by Yelena Zheberlyeva

Perm oblast (region) is located in the Ural mountains, the traditional border between Europe and Asia. It is situated on the Kama river, one of the largest navigable rivers in Russia. The Kama provides access from Perm to five seas—the Azov, the White, the Baltic, the Caspian, and the Black—through a network of channels. The oblast has a population of over 3 million—its largest cities are Perm (1.08 million people), Bereznnyaky (201,800), and Solikamsk (109,000). Located 1,100 kms from Moscow, it takes an hour and a half to travel between the city of Perm and the capital.

Leading Industry Sectors

The oblast's Soviet-era industrial development has only recently been diversified. Perm manufactures 30 percent of Russia's mineral fertilizers, 20 percent of pulp and paper, and most of its telephones. Perm oblast is considered to be the leader in Russia in chemicals, particularly oil industry-related chemicals; machine building; mining; and oil and gas extraction. **Bereznnyaky Titan-Manganese Plant** is one of the largest of its type in the world and the only plant in Russia that manufactures magnesium alloys.

Former defense enterprises have been privatized and are restructuring their facilities to manufacture competitive consumer products. For example, **Motovilkhinskiye Zavody** manufactures consumer goods, agricultural equipment, and machines and machine-building equipment for local enterprises and oil and gas sector.

Food processing enterprises are developing rapidly after the 1998 financial crisis, which proved an impetus for local manufacturing of food and light industry. The majority of the population consider imported food products prohibitively expensive due to the ruble devaluation. Currently, many enterprises are seeking investors to upgrade their technology and equipment to be competitive in the local market.

Foreign Investment and Trade

Over 300 foreign enterprises are registered in Perm oblast and foreign investment is \$276.9 million. Over 50 percent of foreign companies are manufacturers, 30 percent are trading companies, and 10 percent are involved in the tourism, automobile, and transportation sectors.

In 1998, the foreign trade turnover for Perm oblast totaled \$1.5 million with \$1.2 million in exports and \$302 million in imports. The major imports to Perm in the first quarter 1999 were machine-building equipment, chemicals, and foodstuffs—70 percent of all imports come from Europe. Perm's major exports include methanol, cement, petroleum products, mineral fertilizers, and potassium salts.

A number of joint ventures are operating successfully in Perm oblast. **Sun Group** (U.K.) formed a joint venture with a local brewing company, which is now one of the top brewing companies in Russia. **Nestle** (Switzerland) has invested equipment and technology in Kamskaya confectionery, making the factory competitive not only in Perm, but all over Russia.

Another example of successful development is the **Perm Motor Plant**, a former military enterprise, which has a joint venture with **Pratt & Whitney** (U.S.) to upgrade engines for PS-90a model aircraft. **Pratt & Whitney** invested \$3 million in the venture in 1998–99 to upgrade manufacturing facilities and make the plant competitive on the world market. It was scheduled to invest \$5 million by the end of 1999.

For more information on the Urals, including Perm oblast, and a contact list for the oblast, visit **BISNIS Online** at www.bisnis.doc.gov/bisnis/country/regions.html#Urals.

Yelena Zheberlyeva is the **BISNIS** representative in Yekaterinburg.

AGENCY SPOTLIGHT

Eurasia Foundation—The Eurasia Foundation has made available on its website a new publication, *Equity Investment for Small and Medium Enterprises in the Newly Independent States*. The report is found in .pdf format at www.eurasia.org/programs/SEAFReport.html. It was prepared by Tom Gibson, Chairman of **Small Enterprise Assistance Funds** (SEAF) of Washington, DC, with funding from the **U.S. Agency for International Development** (USAID). The report is based on SEAF's experience in managing SME equity investment funds in nine countries, including two funds in Russia, as well as on the experience of many other small business investment vehicles operating in other developing countries and in economically depressed areas of the United States.

Small Business Forum (SBF)—SBF, a Moscow-based, non-profit organization supporting small- and medium-sized businesses in Russia, held its inaugural meeting in November 1999. Helping the small business sector overcome multiple barriers in the Russian economy is SBF's primary goal. SBF, which seeks to unite small business representatives active in Russia, hopes to fill an existing information gap by arranging business meetings and social events, providing consulting and administrative support, helping members promote products and services, and organizing seminars and workshops. To contact SBF, call Aika Jaxybaeva at tel: +7 (095) 917-0706, email: primest@cityline.ru or Chetwynd Bowling at tel: +7 (095) 792-5151, email: chet@alinga.com.

